

(2) *Ratable amount*—(i) *Restoration of rate base reduction*. A reduction in the taxpayer's rate base on account of the credit with respect to public utility property that becomes deregulated public utility property is restored ratably during the period after the property becomes deregulated public utility property if the amount of the reduction remaining to be restored does not, at any time during the period, exceed the restoration percentage of the recoverable stranded cost of the property at such time. For this purpose—

(A) The stranded cost of the property is the cost of the property reduced by the amount of such cost that the taxpayer has recovered through regulated depreciation expense during the period before the property becomes deregulated;

(B) The recoverable stranded cost of the property at any time is the stranded cost of the property that the taxpayer will be permitted to recover through rates after such time; and

(C) The restoration percentage for the property is determined by dividing the reduction in rate base remaining to be restored with respect to the property immediately before the property becomes deregulated public utility property by the stranded cost of the property.

(ii) *Cost of service reduction*. Reductions in the taxpayer's cost of service on account of the credit with respect to public utility property that becomes deregulated public utility property are ratable during the period after the property becomes deregulated public utility property if the cumulative amount of the reduction during such period does not, at any time during the period, exceed the flow-through percentage of the cumulative stranded cost recovery for the property at such time. For this purpose—

(A) The stranded cost of the property is the cost of the property reduced by the amount of such cost that the taxpayer has recovered through regulated depreciation expense during the period before the property becomes deregulated;

(B) The cumulative stranded cost recovery for the property at any time is the stranded cost of the property that the taxpayer has been permitted to recover through rates on or before such time; and

(C) The flow-through percentage for the property is determined by dividing the amount of credit with respect to the prop-

erty remaining to be used to reduce cost of service immediately before the property becomes deregulated public utility property by the stranded cost of the property.

(3) *Cross reference*. See §1.168(i)–(3) for rules relating to the treatment of balances of excess deferred income taxes when public utility property becomes deregulated public utility property.

(4) *Effective dates*—(i) *In general*. This paragraph (k) applies to public utility property that becomes deregulated public utility property after December 21, 2005.

(ii) *Application of regulation project REG-104385-01 to pre-effective date reductions in cost of service*. A reduction in the taxpayer's cost of service will be treated as ratable if it is consistent with the proposed rules in regulation project REG-104385-01, 2003-1 C.B. 634, and occurs during the period March 5, 2003, through the earlier of the last date on which the utility's rates are determined under the rate order in effect on December 21, 2005, or December 21, 2007.

Par. 3. Section 1.168(i)–3 is added to read as follows:

*§1.168(i)–3 Treatment of excess deferred income tax reserve upon disposition of deregulated public utility property.*

(a) *Scope*. This section provides rules for the application of section 203(e) of the Tax Reform Act of 1986, Public Law 99-514 (100 Stat. 2146) with respect to public utility property (within the meaning of section 168(i)(10)) that ceases, whether by disposition, deregulation, or otherwise, to be public utility property (deregulated public utility property).

(b) *Amount of reduction*. If public utility property of a taxpayer becomes deregulated public utility property to which this section applies, the reduction in the taxpayer's excess tax reserve permitted under section 203(e) of the Tax Reform Act of 1986 is equal to the amount by which the reserve could be reduced under that provision if all such property had remained public utility property of the taxpayer and the taxpayer had continued use of its normalization method of accounting with respect to such property.

(c) *Cross reference*. See §1.46-6(k) for rules relating to the treatment of accumulated deferred investment tax credits when

utilities dispose of regulated public utility property.

(d) *Effective dates*—(1) *In general*. This section applies to public utility property that becomes deregulated public utility property after December 21, 2005.

(2) *Application of regulation project REG-104385-01 to pre-effective date reductions of excess deferred income tax reserve*. A reduction in the taxpayer's excess deferred income tax reserve will be treated as ratable if it is consistent with the proposed rules in regulation project REG-104385-01, 2003-1 C.B. 634, and occurs during the period March 5, 2003, through the earlier of the last date on which the utility's rates are determined under the rate order in effect on December 21, 2005, or December 21, 2007.

Mark E. Matthews,  
Deputy Commissioner for  
Services and Enforcement.

(Filed by the Office of the Federal Register on December 20, 2005, 8:45 a.m., and published in the issue of the Federal Register for December 21, 2005, 70 F.R. 75762)

## **Deletions From Cumulative List of Organizations Contributions to Which are Deductible Under Section 170 of the Code**

### **Announcement 2006-9**

The name of an organization that no longer qualifies as an organization described in section 170(c)(2) of the Internal Revenue Code of 1986 is listed below.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not precluded from disallowing a deduction for any contributions made after an organization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, contributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin on January 30, 2006, and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in whole or in part, for the acts or omissions of the organization that were the basis for revocation.

The Nunoi Foundation  
Los Angeles, CA

## **Substitute for Return; Hearing Announcement 2006-10**

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of public hearing on proposed rulemaking.

SUMMARY: This document provides notice of public hearing on proposed regulations (REG-131739-03, 2005-36 I.R.B. 494) relating to the IRS preparing or executing returns for persons who fail to make required returns.

DATES: The public hearing is being held on Wednesday, March 8, 2006, at 10 a.m. The IRS must receive outlines of the topics to be discussed at the hearing by Wednesday, February 15, 2006.

ADDRESSES: The public hearing is being held in the IRS Auditorium, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building.

Mail outlines to: CC:PA:LPD:PR (REG-131739-03), room 5203, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-131739-03), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC. Alternatively, taxpayers may submit outlines electronically via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) (IRS and [notice.comment@irs.counsel.treas.gov](mailto:notice.comment@irs.counsel.treas.gov) (REG-131739-03)).

FOR FURTHER INFORMATION CONTACT: Concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing Treena Garrett, (202) 622-7180 (not a toll-free number).

### **SUPPLEMENTARY INFORMATION:**

The subject of the public hearing is the notice of proposed rulemaking

(REG-131739-03) that was published in the **Federal Register** on Monday, July 18, 2005 (70 FR 41165).

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who have submitted written or electronic comments and wish to present oral comments at the hearing must submit an outline of the topics to be discussed and the amount of time to be devoted to each topic (signed original and eight (8) copies) by February 15, 2006.

A period of 10 minutes is allotted to each person for presenting oral comments. After the deadline for receiving outlines has passed, the IRS will prepare an agenda containing the schedule of speakers. Copies of the agenda will be made available, free of charge, at the hearing. Because of access restrictions, the IRS will not admit visitors beyond the immediate entrance area more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this document.

Guy R. Traynor,  
*Federal Register Liaison,  
Publications and Regulations Branch,  
Legal Processing Division,  
Associate Chief Counsel  
(Procedures and Administration).*

(Filed by the Office of the Federal Register on January 13, 2006, 8:45 a.m., and published in the issue of the Federal Register for January 17, 2006, 71 F.R. 2497)